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Service Quality and Customer Satisfaction in Mozambique Banking System

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ABSTRACT

Service quality enhances company's performance, and customer's confidence towards the banking services offered, thereby gaining a competitive advantage and, increasing its market share. This study investigates the influential factors of service quality in the banking sector and its effect on customer satisfaction and their loyalty in Mozambique. Multiple regression analysis is used to analyze the data collected from 497 bank customers in Mozambique. The findings of the study show that service quality has a positive and significant effect on customer satisfaction and that customer satisfaction exerts a strong influence on customer loyalty. Additionally, empathy, responsiveness, and assurance were found to be strong predictors of customer satisfaction. Managerial and research implications of the findings are discussed.

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1. Introduction

Banks are most important for the economic development of a country. This financial sector receives deposits and directs those deposits into loan activities either directly or through capital markets. Additionally, the banks connect customers who have capital deficits to the ones with a capital surplus. The banking industry in Mozambique is witnessing impressive growth, diversification, and modernization (World Bank, 2014), as a result of several reforms in social and economic structure, initiated before the 1990s (BM, 2013). For instance, the reforms strengthened the foreign direct investment regulation and led to the privatization of stated-owned banks (Salgado, 2013). Furthermore, the approval of organic law of Banco de Moçambique (Law no. 1/92, of January 1992) was crucial for the institutional division between commercial functions and central bank and also legitimated Banco de Moçambique to act and behave as a central bank (Salgado, 2013). Similarly, the Law no. 28/91 of 31 December 1991 allowed the entry of foreign and national private banks to operate in the industry (BM, 2013; Salgado, 2013).

The reform of the banking system has leveraged the innovation of banking services and the augment of banks. Since late of 2012, are operating in Mozambique 18 commercial banks (with a total of 505 bank branches), seven micro-banks (with 14 branches), seven cooperatives (with seven branches), and one institution of electronic money (BM, 2013; Salgado, 2013). The sector is also being characterized by the introduction of new technologies such as Automatic Teller Machines (ATMs), Point of Sales (POS), telephone and mobile banking, and credit cards (BM, 2013). Currently, the products and services offered by banks in Mozambique are mainly bank accounts and loans (World Bank, 2014). There are also other product and service offered by banks, namely money transfer services, credits, insurance, savings and time deposits, foreign exchange services, and provision of short- and medium-term loan facilities to clients (World Bank, 2012, 2014).

The financial reforms introduced in the early 1990s enhanced the banking sector stability (Salgado, 2013), and improved considerably the access of banking services, especially among customers of urban areas (BM, 2013). Also, it has boosted the banking sector assets and decreased the ratio of non-performing loans (World Bank, 2014). Despite the economic growth and subsequent augment in new product and services, the banking sector in Mozambique remains underdeveloped. Nearly 90% of adults do not benefit from banking services, and the credit is only available to about 3% of the population (Almeida-Santos et al., 2014). Bank managers argue that the main barriers to provision and expansion of banking

services are due to logistical difficulties, caused mostly by electricity problems, water supply and a shortage of access roads (World Finance, 2015).

For the few clients who have access to banking services, World Bank (2014) survey has found to have a weak support in understanding the usefulness of banking product and services, and low level of trust or confidence to their banks. Furthermore, customers cannot afford to open and maintain a bank account, due to high costs, commission and fees, and the long distance of bank branches from the clients (World Bank, 2014). At the same time, the banking sector is experiencing a substantial degree of customer dissatisfaction when compared with other financial providers, for example, money lenders, microfinance, community savings groups, insurance companies, and brokerage houses (World Bank, 2014). The dissatisfaction might be due to a variety of reasons. Among of them, lower level of customer trust, personnel skills, customer support, waiting time, price, location, product, and services. On the other hand, the banking industry is heavily concentrated on three major banks. Here, the competition is lower, and the clients have fewer options to switch to other banks.

Banks are important players in financial markets operations and keeps a country's economy running smoothly. Delivering superior service quality to customers is essential to achieve sustainable competitive advantage in the marketplace. When service quality becomes the focus of an organization it brings many advantages to the company. Caruana (2002) contended that excellent quality of services improves firm's performance, which may further lead to an increase in market share (Abdullah et al., 2011); and also enhances customers' confidence with the company (Berry et al., 1994). Furthermore, Yavas, Bilgin, and Shemwell (1997) pointed that the attraction of new customers and retention of satisfied clients are a signal of an excellent service quality program in the firm. In this respect, it is assumed that delivering high service quality to customers is a vital strategy to the firm's success and survival (Abdullah et. al., 2011). Equally, service quality is deemed a driver of customer satisfaction (Shanka, 2012); customer retention and customer loyalty (Wong & Sohal, 2003). Therefore, the banks should strive to offer products or services which meet customers' needs (Adil, Al Ghaswyneh, & Albkour, 2013).

Service quality has witnessed growing attention among practitioners and academicians. However, much of these studies were carried out in developed countries. On the account of this considerations, this research investigates the influential factors of service quality in the banking system of Mozambique and its effect on customer satisfaction, subsequently on

customer loyalty. Based on the research objectives, this paper attempts to provide answers to the following questions: Do the service quality dimensions have a relationship with customer satisfaction? What attributes of service quality are most important to clients? What is the effect of customer satisfaction on customer loyalty? Our contribution is two-fold. First, there are scarce studies investigating the relationship between service quality and customer satisfaction, and customer loyalty in banking context of Mozambique. Second, the study sheds light in understanding the customer behavior toward their banks.

2. Literature Review

Service Quality

The conceptualization of service quality has its basis in the physical goods and customer satisfaction literature (Brady & Taylor, 2001). Parasuraman et al. (1985, 1988) have defined service quality as the difference between customers' expectations and the actual performance of the service. Zeithaml (1988) defined "service quality is the consumer's judgment about a product's overall excellence or superiority", whereas Grönroos (1984) has defined service quality as an assessment process between perceived service and expected performance.

Researchers have embraced one of two paradigms, regarding the measurement of service quality. The first is the disconfirmation model – performance-minus-expectations (Parasuraman et al., 1985, 1988). The second is the performance-based model of service quality (Cronin & Taylor, 1992). In disconfirmation paradigm (Grönroos, 1984; Parasuraman et al., 1985, 1988) service quality is judged on the basis of the discrepancy between customers' expectations and perceptions. Lehtinen and Lehtinen (1991) have proposed a three-dimensional perspective of service quality, consisting of interaction quality, physical quality, and corporate quality. From a customer standpoint, they suggested two broad dimensions, i.e. outcome quality and process quality.

Grönroos (1984) identified three dimensions of service quality: functional quality, technical quality, and corporate image. Functional quality represents how the service is delivered; that is, it defines the two-way flow that results between the customers and the service providers. Technical quality refers to the outcome of the service act, or what the customer receives in the service encounter. Technical and functional quality, both are preoccupied with psychological and behavioral aspects (Caruana, 2002). For instance, how the service personnel performs their job, what they say and so forth. The model also recognizes that

clients have an image about the company (Grönroos, 1984), which has a quality influence in itself and acts as a strainer of customer perceptions (Kang & James, 2004).

Kang and James (2004) contended that a positive and memorable image is valuable for any service firm due to its influence on customer perceptions of service quality. Thereby, perceived service quality is the outcome of the assessment between customers' expectations and perceptions, taking into account the effect of the company image. Bateson and Hoffman (2011) pointed out that "service quality is an attitude formed by a long-term, overall evaluation of performance". They explained that the manner of service delivery, as well as the outcomes, affects the perceptions of customers about the quality. Kenyon and Sen (2015) have pointed out physical aspects of the service (e.g., equipment, facilities), and the firm's brand image as the factors that has an effect on customer perceptions about quality.

The disconfirmation paradigm is the foundation for Parasuraman et al. (1985, 1988) SERVQUAL model, which compares customer expectations and perceptions regarding a particular service or industry. SERVQUAL consists of 22-items divided into five dimensions: reliability, responsiveness, assurance, empathy, and tangibility. Several researchers have used and extended the 22-item scale to study service quality in different sectors of the service industry. However, the replication of the model raised many concerns both theoretical and psychometric (Caruana, 2002).

First, the conceptualization of customer expectations was questioned (e.g., Cronin & Taylor, 1992). Scholars argued that expectations change over time, and are measured, mostly before receiving the service (Palmer, 2014). Second, Babakus and Boller (1992), Cronin and Taylor (1992) have found that customer perceptions are an excellent predictor of service quality than the disconfirmation approach. Third, a number of researchers have reported a different number of dimensions (e.g., Carman, 1990; Cronin and Taylor, 1992). As a result, Cronin and Taylor (1992) have developed a performance-based measure (i.e. SERVPERF) alternative to the SERVQUAL measure. The performance-based model captures customers' perceptions of the service quality offered by a specific service provider (Cronin & Taylor, 1992). Therefore, this paper uses SERVQUAL scale to measure service quality, customer satisfaction, and customer loyalty in retail banking context of Mozambique.

Customer Satisfaction

Customer satisfaction is "an outcome of purchase and use resulting from buyers' comparison of the rewards and costs of purchase about anticipated consequences" (Churchill &

Surprenant, 1982). Oliver (2015) has defined customer satisfaction as "the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provide a pleasurable level of consumption-related fulfillment." Zeithaml et al. (2009) posited that customer satisfaction concerns the evaluation of products or services in meeting consumer expectations or needs.

The basis of customer satisfaction lies in the disconfirmation theory (e.g., Oliver, 1980; Westbrook & Reilly, 1983; Parasuraman et al., 1985), regarded as the difference between customer expectation and perceptions (Yi & La, 2004; Bateson & Hoffman, 2011). Consequently, when customer perceptions exceed expectations (i.e. positive disconfirmation), results in customer satisfaction, positive word-of-mouth, and customer retention. Conversely, when actual customer perceptions do not meet expectations (i.e. negative disconfirmation) leads to customer dissatisfaction, negative word-of-mouth or customer defection (Bateson & Hoffman, 2011). Some researchers view customer satisfaction as a function of expectation and disconfirmation. The greater the discrepancy between expectation and actual performance, greater is the degree of disconfirmation and, lower is the customer satisfaction (Boulding et al., 1993; Churchill & Surprenant, 1982; Oliver, 1980). Two formulations of customer satisfaction dominate in the literature: transaction-specific satisfaction and cumulative satisfaction (Boulding, Karla, Staelin, & Zeithaml, 1993; Ekinci & Dawes, 2009). Zeithaml et al. (2009) contended that the transaction-specific satisfaction and cumulative satisfaction in service firm are all based on customer experiences. Yi and La (2004) said that transient customer satisfaction, as well as cumulative customer satisfaction, may affect post-purchase expectations and repurchase intentions. Therefore, service firms should understand customer perceptions at transient levels to diagnose service quality problems and make instant changes (Zeithaml et al., 2009).

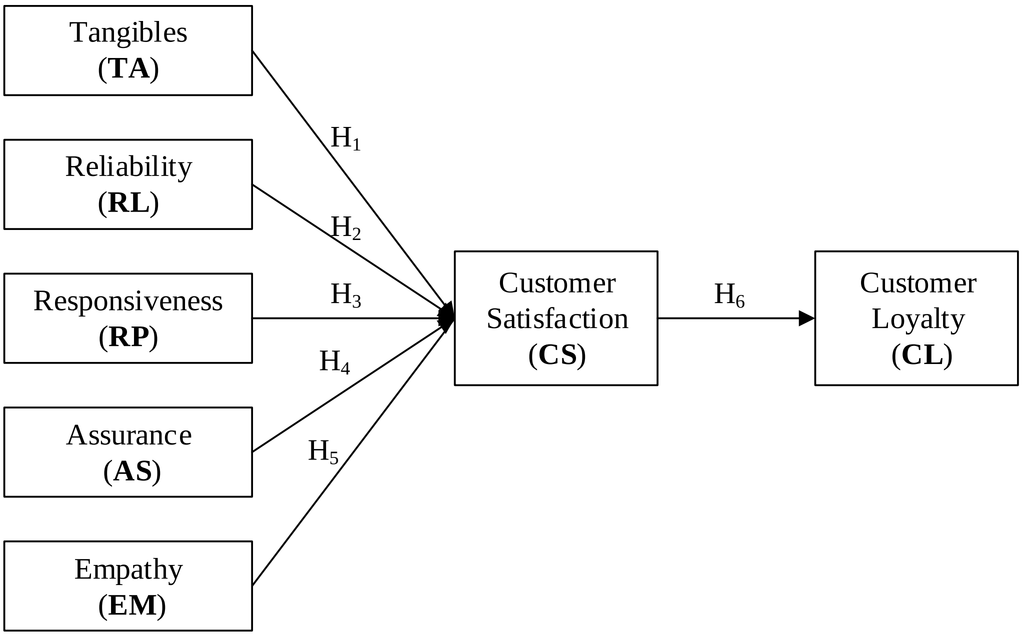
Customer Loyalty

Customer loyalty is a critical factor in business survival and development in today's competitive environment (Chen, 2012). Studies into customer loyalty have focused mainly on tangible goods i.e. brand loyalty, whereas customer loyalty in the service industry was underexposed (Gremler & Brown, 1996). Gremler and Brown (1996) stated that customer loyalty consists of three distinct elements such as behavioral, attitudinal, and cognitive loyalty. Dick and Basu (1994) have suggested an attitudinal theoretical framework that considers customer loyalty as being composed of relative attitude and patronage behavior. In the service context, Gremler and Brown (1996) have defined customer loyalty as "the degree

to which a customer exhibits repeat purchasing behavior from a service provider, has a positive attitudinal disposition towards the supplier, and considers using only this provider when a need for this service arises."

Customer loyalty encompasses repurchase intention, willingness to recommend others a product or service and reluctance to change to another competitor (Cronin and Taylor, 1992). Likewise, it can be manifested in behavior such as repurchase intention or word-of-mouth (Cronin and Taylor, 1992). Chen (2012) contended that customer satisfaction is an essential prerequisite for the emergence of customer loyalty. Oliver (1999) pointed that customer loyalty emerges when a customer shows frequent satisfaction regarding a product or service through repeat patronage, repurchasing, and word-of-mouth behavior. Overall, repurchase intention and word-of-mouth recommendation is a crucial element of customer loyalty and for the successful customer relationship (Berry, 1995; Kotler & Keller, 2012). Thereby, customer loyalty should be examined for the survival of the banking services (Gremler & Brown, 1996).

Research Model and Hypothesis development



Service Quality and Customer Satisfaction

Several researchers have discussed the link between service quality and customer satisfaction. Naik, Gantasala, and Prabhakar (2010) found a significant and positive effect of service quality on customer satisfaction in retail units. Shanka (2012) confirmed a positive effect of service quality on customer satisfaction in private banks operating in Ethiopia. Khan and

Fasih (2014) found a positive relationship between service quality and customer satisfaction as well as customer loyalty. Muyeed (2012) found that service quality is the main element of customer satisfaction and an essential tool for increasing bank income and market share in Bangladesh.

Tangibility

Parasuraman et al. (1991) defined tangibility as “the appearance of physical facilities, equipment, personnel, and communication materials.” In the banking industry, the tangibility dimensions refer to the physical condition of facilities, equipment installed, the appearance of the front-line employees, leaflets, and other materials used to communicate with customers. These are the aspects that customers observe before or after entering into the banking branches and create their first impressions about the banking services (Yavas et al., 1997). If these tangible elements are inadequate, unavailable or in poor conditions, customers may probably feel unhappy with the banking service. Leong, Hew, Lee, and Ooi (2015) found that tangibility has a substantial direct effect on customer satisfaction in the airline industry. Therefore, we propose the following hypothesis:

H_1: Tangibles have a significant and positive effect on customer satisfaction.

Reliability

Reliability refers to “the consistency and dependability of a firm’s performance” (Bateson & Hoffman, 2011). Reliability in the banking industry reflects the ability of the banks to provide accurate and trustworthy service which respond to the customer needs; offer products and services at designated time, keep the record correctly, honor its promises, and guarantee that no problem will occur during the delivery of service to customers. Reliability is an essential attribute of the banking services (Johnston, 1997; Zeithaml, Bitner, & Gremler, 2013). A shortfall in reliability may result in customer dissatisfaction (Johnston, 1997). Conversely, excellent banking services deepen the client trustworthiness toward the delivered service (Kenyon & Sen, 2015). George and Kumar (2014), and Leong et al. (2015) have found reliability as a significant predictor of customer satisfaction. The following hypothesis is proposed:

H_2: Reliability has a significant and positive effect on customer satisfaction.

Responsiveness

Responsiveness is deemed as a company's commitment, and the willingness of employees to help and deliver prompt service to the customers (Bateson & Hoffman, 2011; Zeithaml et al., 2013). Responsiveness in the banking industry denotes the flexibility or speed of the service and the skill to design the service delivering to meet customer needs (Kenyon & Sen, 2015). This attribute points the importance of attentiveness, readiness, and preparedness of the banks to cope with customer requests, questions, complaints, and problems (Zeithaml et al., 2013). The length of time to which customers have to wait for assistance, a problem resolution, can significantly affect customer perceptions of the service offered (Johnston, 1997). Lee et al. (2000) have found responsiveness as the most important dimension in the "people-based" industries. Leong et al. (2015) confirmed a positive effect of responsiveness on customer satisfaction in the airline industry. Therefore, we hypothesize the following: **H_3**: Responsiveness has a significant and positive effect on customer satisfaction.

Assurance

Assurance encompasses the competence of the service provider, the credibility, and security of the transactions (Bateson & Hoffman, 2011). In the banking industry, the employees should have the knowledge to perform the service, interact with the client in a polite and friendly manner, conveying trust and confidence. Kenyon and Sen (2015) contended that the bank employees should explain the service, its related costs, and benefits, and ensure the security of customers' transactions and personal information. Shanka (2012) have found a significant effect of assurance on customer satisfaction. Thus:

H_4: Assurance has a significant and positive effect on customer satisfaction.

Empathy

Zeithaml et al. (2013) have described empathy as the caring and personalized attention that the company gives to their clients. Empathy refers to the banks' ability in putting itself in the customer place. Previous studies have found that empathy component poses a significant and positive influence on customer satisfaction (Leong et al., 2015; Shanka, 2012). The bank personnel should have the ability to understand the feelings, needs, and wants of their clients. Hence: **H_5**: Empathy has a significant and positive effect on customer satisfaction.

Customer Satisfaction and Loyalty

Oliver (1999) pointed that there is an inextricable association between customer satisfaction and customer loyalty. Chen (2012) contended that customer satisfaction is an essential prerequisite for the emergence of customer loyalty. Thus, a higher degree of customer satisfaction influences customer loyalty (Deng et al., 2010). Caruana (2002); Hallowell (1996); Ruyter, Wetzels, and Bloemer (1998) pointed out that customer satisfaction affects customer loyalty in retail banking. Buttle and Burton (2002) stressed that customer satisfaction is the crucial antecedent of client's attitude towards the service firm, and is a core determinant of future customer behavior (Zeithaml et al., 1996). Deng et al. (2010) examining the factors affecting customer satisfaction and loyalty on mobile instant message (MIM) services in China have found that customer satisfaction positively affects customer loyalty. Therefore: **H_6**. Customer satisfaction has a significant and positive effect on customer loyalty.

3. Methodology

Data Collection and Samples

The study employs a descriptive and quantitative approach using a self-administered survey questionnaire. Data were gathered from bank customers aged 21 years old and above who reside in five cities of Mozambique, namely Pemba, Nampula, Mocuba, Beira, Maputo, covering the North, Center, and South regions of the country. A convenience sampling method was used to select a total of 493 usable questionnaires (i.e. questionnaire answered). Responses were gathered on service quality, customer satisfaction, and customer loyalty offered by banks. The questionnaires were distributed and collected from customers outside the banking hall. For each questionnaire completed, the researcher paid 25 US cents to the interviewers.

Measures

The measurements items were adopted from previous research and were modified and reworded to fit the banking context of Mozambique. The questionnaire was initially prepared in English and then translated into Portuguese. The Portuguese version of SERVQUAL instrument was adopted from Johnston (1995). Thus, measures of service quality were adopted from Parasuraman et al. (1994) and Shanka (2012). It was operationalized by a 22 item-scale, SERVQUAL in five components namely tangibility, reliability, responsiveness, assurance, and empathy). Customer satisfaction with their banks is measured with four items

adapted from Shanka (2012), Jamal and Nasser (2002). The items were related to the five components of SERVQUAL. Customer loyalty was operationalized by five observable variables adapted from Zeithaml et al. (1996) and Shanka (2012). The respondents were asked, for instance, the likelihood to recommend other or continue to do business with their bank. A five-point Likert-type scale was used to measure each of the items, ranging from 1 = completely disagree, to 5 = completely agree. Equally important, the questionnaire included items regarding the demographic or socioeconomic characteristics of respondents such as gender, age, marital status, educational background, monthly income, and occupation.

Methods

The psychometric properties of the items were evaluated through exploratory factor analysis using principal component analysis. The 22 items that define the SERVQUAL were factionalized to ascertain the underlying factors. Factor loadings greater than 0.5 were retained under the restriction of eigenvalues more than one. The orthogonal procedure, i.e. varimax yielded interpretable results. Reliability analysis was used to assess the dimensionality and reliability of the constructs. The causal order of the service quality and customer satisfaction, and the influence of customer satisfaction on customer loyalty were analyzed. These relationships were examined through multiple regression models. Specifically, we tested each relationship by examining the significance of the regression coefficients estimated. The data were analyzed using a statistical software SPSS version 20.

4. Analysis and Discussion

The study succeeded in providing respondents who have wide variations in personal characteristics (see Table 1). The Cronbach's Alpha reliability coefficients of the three measures ranged from the lowest 0.769 (customer satisfaction) to the highest 0.821 (customer loyalty), indicating consistency and stability of SERVQUAL scale, customer satisfaction, and customer loyalty (see Table 2).

Tables 3 and 4 summarize the results of multiple regression analysis as well as the findings of the hypothesis testing. All the six hypothesis were supported. The results show that tangibility, reliability, responsiveness, assurance and empathy are significant predictors of customer satisfaction and that customer satisfaction exerts a strong and positive influence on customer loyalty.

Table 1
Profile of the Respondents

Variable		Frequencies	Percent
Gender	Male	306	61.6
	Female	191	38.4
Age			
	21-30	262	52.7
	31-40	164	33.0
	41-50	56	11.3
	>50	15	3.0
Marital Status			
	Single	321	64.6
	Married	158	31.8
	Separated/Divorced	18	3.6
Education Level			
	Secondary Lower	128	25.0
	Professional Qualification	150	30.2
	Degree	194	39.0
	Master Degree/PHD	25	5.0
Occupation			
	Government Servant	184	37.0
	Private Sector Employee	146	29.4
	Self-Employee	42	8.5
	Professional Services	28	5.6
	Retired/Pensioner	19	3.8
	Unemployed	42	8.5
	Other	36	7.2
Monthly Personal Income	Below 15000 MT	268	53.9
	15001-25000 MT	114	22.9
	25001-35000 MT	75	15.1
	35001-45000 MT	25	5.0
	Above 45001 MT	15	3.0

Note: MT = Metical (Mozambique currency unit); USD1 ≈ 40MT

Table 2
Factor Analysis with varimax rotation of SQ, CS, and CL

Scale Items	Dimensions	Factor Loadings	Coefficient alpha
Q2	Tangibility	0.775	0.600
Q1		0.759	
Q4		0.610	
Q3		0.534	
Q6	Reliability	0.748	0.650
Q8		0.733	
Q5		0.711	
Q11	Responsiveness	0.734	0.560
Q12		0.733	
Q10		0.646	
Q13		0.502	
Q14	Assurance	0.754	0.673
Q16		0.732	
Q15		0.727	
Q17		0.623	
Q20	Empathy	0.781	0.672
Q21		0.730	
Q22		0.730	
Q18		0.590	
SERVQUAL scale			0.821
Q25	Customer Satisfaction	0.801	0.769
Q24		0.793	
Q26		0.764	
Q23		0.718	
Q29	Customer Loyalty	0.839	0.824
Q31		0.825	
Q30		0.771	
Q27		0.717	
Q28		0.680	

Note. SQ = Service Quality; CS = Customer Satisfaction; CL = Customer Loyalty

Table 3
Results of the Regression Analysis

Dependent Variable	Independent Variable	R^2	Adjusted R^2	β	*t*	*p-value*	F
Customer Satisfaction	Tangibility	.408	.402	.104	2.906	.004*	67.754
	Reliability			.121	2.938	.003*	
	Responsiveness			.184	4.106	.000*	
	Assurance			.123	2.864	.004*	
	Empathy			.333	7.499	.000*	
Customer Loyalty	Customer Satisfaction	.340	.339	.584	15.986	.000*	255.548

**p<0.05 (significance level); β = Standardized Coefficients Beta*

Table 4
Results of hypothesis testing

Hypothesis		β	*p-value*	Remarks
H_1	There is a relationship between tangibility and customer satisfaction	0.104	0.004*	Supported
H_2	There is a relationship between reliability and customer satisfaction	0.121	0.003*	Supported
H_3	There is a relationship between responsiveness and customer satisfaction	0.184	0.000*	Supported
H_4	There is a relationship between assurance and customer satisfaction	0.123	0.004*	Supported
H_5	There is a relationship between empathy and customer satisfaction	0.333	0.000*	Supported
H_6	There is a relationship between customer satisfaction and customer loyalty	0.584	0.000*	Supported

Note: **p<0.05 (significance level); β = Standardized Coefficient Beta*

The conceptualization of the research model (see Figure 1) suggests that service quality is a multidimensional construct and has a positive influence on customer satisfaction. Subsequently, customer satisfaction leads to customer loyalty regarding the banking services. The results suggest that customers create service quality perceptions on the basis of their evaluations of the five dimensions: tangibility, reliability, responsiveness, assurance, and empathy, which conforms to Parasuraman et al. (1988), and positive customer experience with the banking services results in customer satisfaction, and that customer satisfaction leads to customer loyalty. Thus, the research provided empirical support for the existing link between service quality, customer satisfaction, and customer loyalty, which corroborate with studies of Cronin and Taylor (1992), Khan and Fasih (2014), and Shanka (2012). Therefore, banks can gain customer satisfaction and customer loyalty by improving the quality of services.

Interestingly, on the magnitude and order of importance of service quality dimensions, empathy is the strong predictor of customer satisfaction followed by responsiveness and assurance. The findings recognize the importance of service process attributes on customers satisfaction and customer loyalty in retail banks. Levesque and McDougall (1996) contended that the service process elements (i.e. empathy, responsiveness, and assurance) are crucial in the provision of excellent banking services. Previous studies reveal differences in findings regarding the order of importance of service quality dimensions across developed and developing countries. The results of our research are quite similar to studies conducted in other developing countries (see Shanka, 2012; Khan and Fasih, 2014). A possible reason empathy, responsiveness, and assurance was found to have a strong effect on customer satisfaction relative to reliability and tangibility is likely due to the negative perception of customers regarding the bank's ability in performing the service accurately and dependably. Further, a developing country like Mozambique, the concept of service quality is emergent when compared to western contexts. For these reasons, customers may be more concerned with other aspects of services, like an excellent interaction during the service experience in the bank.

5. Conclusion and Implications

This study investigates the influential factors of service quality in the banking system and its effect on customer satisfaction and their loyalty in Mozambique. As seen in this research, service quality have a positive and significant influence on customer satisfaction, and that customer satisfaction has a strong effect on customer loyalty. Do the service quality dimensions have a relationship with customer satisfaction? The findings demonstrated that service quality dimensions such as tangibles, reliability, responsiveness, assurance, and empathy have a positive and statistically significant relationship with customer satisfaction. What attributes of service quality are most important to clients? The findings indicated that empathy, responsiveness, and assurance, are the most significant attributes of service quality, whereas tangibility and reliability have a little contribution to customer satisfaction. What is the effect of customer satisfaction on customer loyalty? The results suggested that customer satisfaction exerts a positive and significant impact on customer loyalty. Therefore, customer degree of satisfaction in the banking sector in Mozambique affects customer loyalty.

Theoretical implications

The study develops a theoretical framework to investigate the influential factors of service quality on customer satisfaction, subsequently customer loyalty in the banking sector of Mozambique. Although some of the ideas stated in this research model are similar to that of other scholars, the value of the research framework is in testing the GAP model, namely SERVQUAL, in a developing country like Mozambique to provide a comprehensive understanding of the relationship between service quality, customer satisfaction, and customer loyalty.

The study gives a useful basis to academicians about important attributes of service quality that significantly affects customer satisfaction, subsequently customer loyalty with the banking services in Mozambique. Interestingly, the current study has found that empathy, responsiveness, and assurance are significant predictors of customer satisfaction with the banking services. These dimensions clearly are related to the service delivery performance, that is, the manner in which bank services are delivered, for example, responsiveness and professionalism of bank employees.

Most researchers have reported changes in the order of importance of the service quality dimensions, whether in developing or developed countries. The findings of the present study are quite similar to studies conducted in other developing countries. For example, in a study carried out with Ethiopian bank customers, empathy, responsiveness, and assurance were the most important predictors of customer satisfaction (Shanka, 2012). Khan and Fasih (2014) found assurance and empathy as significant predictors of customer satisfaction in Pakistan. Conversely, tangibility and reliability were insignificant. Yavas et al. (1997) have found tangibles, responsiveness, and empathy as significant predictors of customer satisfaction in Turkey. Conversely, the study of Parasuraman et al. (1988) in the USA found reliability as the most critical dimension followed by the assurance, tangibles, responsiveness, and empathy. In Greece, Jamal and Anastasiadou (2009) found tangibility, reliability and empathy as the strongest predictors of customer satisfaction, while responsiveness and assurance were insignificant.

The differences in the order of importance of the dimensions suggest that in developing countries like Mozambique, the provision of the banking services rely mostly on human interaction, e.g., bank branches. Nevertheless, the current study demonstrates the importance

of empathy, responsiveness, and assurance in the increasing of customer satisfaction, in turn, promote a favorable word-of-mouth recommendation to enhance customer loyalty.

Managerial implications

The current research identifies the process performance of service quality (i.e. empathy, responsiveness, and assurance) as the strong predictors of customer satisfaction, and that customer satisfaction exerts a greater effect on customer loyalty. Equipped with this knowledge, banks should take necessary action to improve process or interaction aspects of service quality such as the empathy, responsiveness, and assurance of the banking service to induce increased customer satisfaction and customer loyalty towards their banks. The empathy, responsiveness, and assurance refers how the banking service gets delivered to customers and are essential for quality of interactions in the bank. Excellent interaction between bank employees and customers is crucial to ensure customer satisfaction and to compensate for imperfections. The customer contact employees are often of vital importance for excellent service quality. Utmost care should be taken in recruiting, selecting, training and developing the customer contact employees. Intensive training in interpersonal and human skills among the bank staff would be crucial.

Besides, the banks can adopt some reward programs to encourage their staffs to be helpful, caring, courteous, and friendly when serving the customers. The research also suggests that empathy, responsiveness, and assurance of the service quality is crucial but not sufficient to develop customer satisfaction and customer loyalty. The banks need to ensure that their premises are visually appealing and offer comfort and ensure that services are done properly right the first time. In conclusion, to enhance customer satisfaction and customer loyalty, the bank managers should make improvements on empathy, responsiveness, and assurance (i.e. interaction quality factors). Equally, it is important to note that the study identifies customer satisfaction as a significant predictor of customer loyalty. Thus, retail banks should strive to meet the needs and wants of their clients in order to provide excellent service experience and build customer loyalty.

Limitations of Study

The study has some shortcoming. First, in a strict sense, the study examines only perceptions of bank clients of five cities in Mozambique. Second, the sample units were drawn based on the researcher judgment (i.e., convenience). So, the generalization of the findings should be made with cautious. Though we found a positive and significant link between the service quality and customer satisfaction, subsequently, customer satisfaction and customer loyalty, should be taken into account that the models explain only a small portion variance. Consequently, it might affect the predictive power of the models. Therefore, bank managers or practitioners should pay attention to attributes other than mentioned in this study.

Recommendations for Future Studies

This study provides some directions for future research. For example, the research was a cross-sectional survey, using self-administered questionnaires to collect empirical data. The work sought to investigate the influential factor of service quality and customer satisfaction, subsequently in customer loyalty in the banking sector in Mozambique. The data were analyzed using descriptive and quantitative methods. Thus, it is recommended for future studies to use methodologies such as critical incidence technique, and also, extend the study to other banks and different service contexts. Further research might also want to work on the effect of service quality, customer satisfaction and customer loyalty from bank staff's perspectives. Also, researchers should consider taking a broader view towards identifying the components of service quality and overall service offering. The attributes should encompass not only the recently identified constructs but also constructs that reflect the service offering. Finally, the impact of cultural factors on customer satisfaction and loyalty could prove to be an interesting area of study. Similarly, measure the impact of trust on service quality, on customer satisfaction or both in Mozambique banking setting.

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